

Message Text

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C O N F I D E N T I A L CAIRO 1282

EXDIS

E.O. 11652: GDS
TAGS: PFOR, SA, EG
SUBJ: SAUDI AID TO EGYPT

1. IN RECENT TALK WITH SAUDI AMB FUAD NAZIR, HE STATED SAG IS CONCERNED ABOUT UNENDING EGYPTIAN REQUESTS FOR FINANCIAL ASSISTANCE. AS I KNEW, SAG HAD BEEN VERY GENEROUS IN PAST YEAR. IT HAD PROVIDED FINANCIAL ASSISTANCE IN THE BELIEF THAT THIS WOULD ASSIST GOE TO BOLSTER ITS FALTERING ECONOMY. YET THERE ARE NO SIGNS THAT THIS HAS OCCURED. NOW EGYPTIANS ARE ASKING FOR MORE MONEY. THIS WAS PRINCIPAL PURPOSE OF PRIMIN MAMDUH SALEM'S NOW POSTPONED TRIP, AND SAG EXPECTS THAT PRESIDENT SADAT WILL RAISE THE SUBJECT WHEN HE VISITS SAUDI ARABIA ON FEB 21.

2. NAZIR SAID HE HAD BEEN INSTRUCTED TO TELL THE EGYPTIANS THAT SAG CANNOT INDEFINITELY PROVIDE FINANCIAL AID OF LAST YEAR'S MAGNITUDE. IT IS PREPARED TO PROVIDE PROJECT ASSISTANCE FOR VIABLE PROJECTS, BUT WANTS TO KNOW WHERE ITS FINANCIAL AID IS GOING. THERE ARE ALREADY REPORTS OF A NEW CLASS OF MILLIONAIRES IN EGYPT AND SAG IS CONCERNED THAT SOME OF ITS AID MAY HAVE BEEN USED FOR INDIVIDUAL PERSONAL GAIN. (NO NAMES WERE MENTIONED.) THERE IS ALREADY CRITICISM IN
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PAGE 02 CAIRO 01282 311102Z

SAUDI ARABIA ABOUT SAG'S MASSIVE FOREIGN AID

PROGRAM. IN SHORT, GOE SHOULD NOT LOOK TO
SAG FOR UNLIMITED FINANCIAL AID.

3. NAZIR CONTINUED THAT, BEFORE GIVING GOE AN
ANSWER AS TO EXTENT OF FINANCIAL ASSISTANCE IT
WILL PROVIDE THIS YEAR, SAG WANTS TO WAIT
TO SEE WHAT USG DOES TO HELP EGYPT. I REMINDED
NAZIR THAT WE HAVE ASKED THE CONGRESS FOR
\$750 MILLION FOR AID TO EGYPT IN THIS FISCAL
YEAR. APPROVAL IS STILL AWAITING CONGRESSIONAL
ACTION, BUT WE HOPE THIS MAY TAKE PLACE BY END
OF MARCH.

IN ADDITION, WE HAVE COMMITTED OURSELVES TO PROVIDE
ONE MILLION TONS OF WHEAT/WHEAT FLOUR.
ASSUMING CONGRESS APPROVES, USG ASSISTANCE
TO EGYPT IN FY 76 WILL BE ALMOST \$1 BILLION
IN VALUE. THUS, HE WOULD SEE THAT USG IS
MAKING MAJOR EFFORT TO HELP EGYPT IN ECONOMIC
SHERE.

4. I URGED THAT SAG ALSO
CONTINUE ITS FINANCIAL AID TO EGYPT. AS NAZIR
HIMSELF AWARE, THE CONTINUED STABILITY OF THE
SADAT REGIME WILL DEPEND IN LARGE MEASURE ON
GOE'S ABILITY TO STRENGTHEN EGYPT'S ECONOMY.
I SUGGESTED THAT ALL OF US SHOULD URGE GOE TO
TACKLE THIS PROBLEM WITH MAXIMUM VIGOR. NAZIR
INDICATED SAG AGREED IN PRINCIPLE WITH THIS
ASSESSMENT, BUT REITERATED IT IS NOT PREPARED
TO PROVIDE UNLIMITED FUNDING AS EGYPTIANS SEEM
TO EXPECT.
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